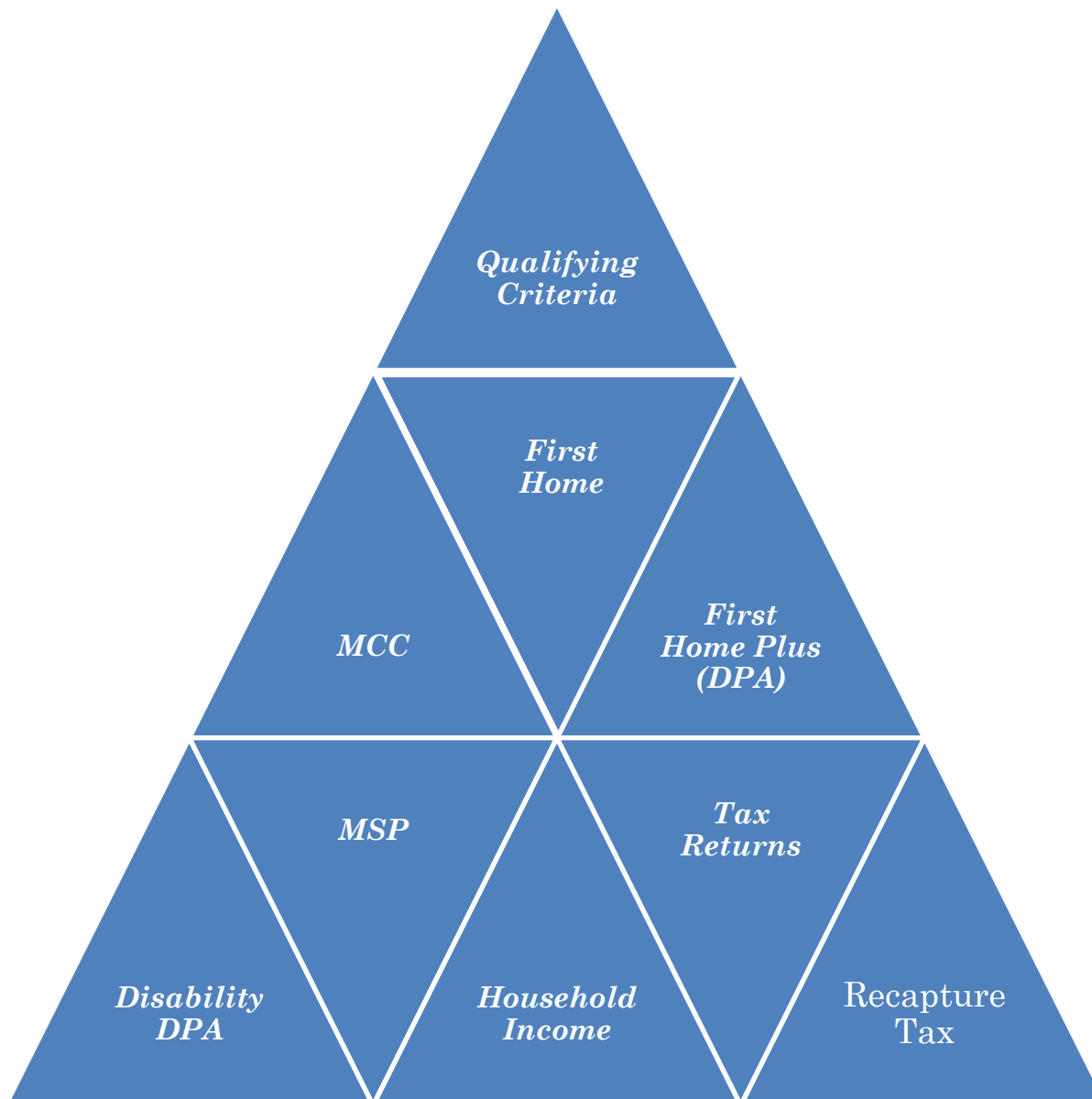




# INDIANA HOUSING LENDER TRAINING

**First Home (Bond)/First Home Plus (DPA),  
Mortgage Credit Certificate (MCC)  
and  
Market Stabilization Program (MSP)**



# QUALIFYING CRITERIA

- Potential borrowers must...
  - First Time Homebuyer(s)
    - Unless purchasing in “Targeted” counties
  - Be under the required Income Limits
  - Purchase a home under the required Acquisition Limits



# WHAT IS A MORTGAGE CREDIT CERTIFICATE?

- A MCC is a federal tax credit designed to assist a borrower seeking affordable homeownership that reduces the federal tax liability of the borrower
- This tax credit allows an eligible borrower to write off a portion of the annual interest paid on the mortgage each year they occupy the home as their primary residence
  - Up to \$2,000
- This tax credit is based on the first mortgage loan amount



# HOW DOES THE MCC BENEFIT THE BORROWER?

- The borrower may choose to take the tax credit at the end of the year. (\*see following example)

MTG Amount x Int. Rate x MCC Credit Rate

$$\$50,000.00 \times 5.25\% \times 35\% = \$918.75$$

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- Borrower would be able to claim \$918.75 annual tax credit



# HOW DOES THE MCC BENEFIT THE BORROWER? ...CONT'D

- The borrower may choose to revise their W-4 withholdings form to increase their take home pay. (\*see following example)
  - If borrower so chooses to increase take home pay the annual tax credit is divided out over 12 months giving the borrower (per previous example) an additional \$76.56 per pay.
    - The borrower would need to contact their HR department who would then modify their withholdings.



# MCC CREDIT RATES

Mortgage of  
\$50,000 & under  
35%

Mortgage of  
\$50,001 - \$70,000  
30%

MCC Credit  
Rates

Mortgage of  
\$70,001 - \$90,000  
25%

Mortgage of  
\$90,001 & above  
20%



# WHY LENDERS SHOULD OFFER MCC

- Adds an alternative to the MRB program
- Allows IHCD A to maintain a presence in the market
- Less documentation needed with initial IHCD A review for approval for closing
- No restrictions on type or amount of lender fees charged to borrower
- Type of financing, term and rate are set by lender
- Lender retains loan





# COMMON GUIDELINES FOR MCC

- Home must be borrowers principal residence
- Property must be a Single Family residence
- Non-occupant co-borrowers are not allowed
- The MCC program cannot be used in combination with First Home mortgages from IHCD
- Borrowers could be subject to recapture tax if home is sold within the first nine years



## MCC FEES



- ⦿ The reservation fee is .50% of the final loan amount
  - ⦿ Due within 45-days of reservation
- ⦿ Extension fees
  - ❑ Application Extension \$50 per 30-days
  - ❑ Commitment .25% per 30-days, based on final loan amount
  - ❑ Late submission .25%, based on final loan amount
  - ❑ Re-Instate \$150
  - ❑ Re-Issuance .25%, based on new refinanced loan amount

NOTE: All fees are due before final approval is issued





## FIRST HOME

- ⦿ This program offers a rate lower than the market rate
  - ⦿ Currently offered at 6.00%
- ⦿ Loans may be reserved as Conv, FHA or VA
- ⦿ Buy downs are not allowed
- ⦿ All mortgages must be a 30-year fixed
  - ⦿ No other terms are allowed
- ⦿ Borrower(s) must complete a Homeownership Counseling course, online or face to face
  - ⦿ IHEDA University: borrower receives .125% off of current IHEDA Rate



# FIRST HOME PLUS



- ⦿ This program in conjunction with the First Home offers the borrower(s) down payment assistance of 5% of the purchase price, but NOT to exceed more than \$5,000 total
- ⦿ Can **ONLY** be used for down payment
  - ⦿ additional sources of down payment is allowed
- ⦿ This a no payment , no interest second which is **no longer** forgiven
- ⦿ Refinancing or selling of home will result in full repayment
  - ⦿ IHEDA does not subordinate



## FIRST HOME PLUS ...CONT'D

- ⦿ Third Party Inspection is required by an IHCDCA approved inspector
  - ⦿ See website for a complete list of approved inspector
- ⦿ Property cannot have been tenant occupied in the previous three months prior to closing
- ⦿ Homes built prior to 1978 must have the Visual Assessment Document from 3<sup>rd</sup> party inspector and completed MRB11
  - ⦿ If home does not pass visual assessment please refer to HUD lead base guidelines found on website



## FIRST HOME PLUS ...CONT'D

- ⦿ Borrower(s) may not get back more than what they pay into the loan at closing
- ⦿ Currently only FHA loan are eligible for DPA, unless it is one of the DPA Specialty programs.
- ⦿ DPA Specialty programs include Home Choice (conventional product), FHA, VA or USDA
- ⦿ With the disability DPA programs borrower(s) are eligible for 10% of purchase price, NOT more than \$14,999



# REQUIREMENTS OF FIRST HOME & FIRST HOME PLUS

- Home must be borrower's principal residence
- Property must be single family residence
- Total household income is used for qualifying borrower(s)
  - All income must be considered
- Non occupant co borrowers are not allowed
- Borrower(s) must occupy the home within sixty days of closing or completion
- Borrower(s) could be subject to recapture tax if home is sold in the first nine years



## MRB FEES

- ⦿ The reservation fee is .125% of the final loan amount
  - ⦿ Due upon receipt of application package
- ⦿ Extension fees
  - ❑ Commitment .25% per 30-days, based on final loan amount
  - ❑ Late submission .25%, based on final loan amount
    - ❑ Associated with the closing package
  - ❑ Re-Instate \$150

NOTE: All fees are due before final approval is issued





# GENERAL FILE FAQ'S

- ◉ When should files be sent in?
  - ◉ The loan must have closed and received approval from IHCD by the commitment expiration dates. Time frames are;
    - ◉ 90 days on Existing
    - ◉ 180 days on New Construction
- ◉ What forms are required?
  - ◉ All required documents can be found in IHSF. There are checklists to application and closing packages that inform each lender what is required to be submitted for approval.
- ◉ At what point should a closing package be submitted?
  - ◉ Closing packages should be submitted within 30 days from the closing date.



## GENERAL FILE FAQ'S ... CONT'D

- ◉ Who do I contact for MTG Funding Request issues?
  - ◉ Melanie McNair, Single Family Specialist
- ◉ When changes are needed on a loan that has been reserved, how is this done?
  - ◉ Fax over all revised documents that effect the change. IE: change in loan amount, fax over a new 1003 that reflect new amount.
- ◉ When will my loan be purchased by US Bank?
  - ◉ US Bank purchases all First Home/First Home Plus loans. Once the lender receives final approval from both IHCD and US Bank AND the mortgage is in good standing, US Bank will then purchase the loan from the lender.



# WHAT IS MSP?

- Federally funded program (\$33.7 million)
  - 18-month program
  - Used on foreclosed homes in HUD approved areas of greatest need
    - Property lookup at [www.indianahousingnow.org](http://www.indianahousingnow.org)
  - Money can be used for down payment, closing costs, rehab or for any combination of the 3
- 
- ✖ **MSP funds can be used 3 ways**
    - With our Bond Program (excluding all disability programs)
    - With our MCC Program
    - As a Stand-Alone (**IHCDA does the 2<sup>nd</sup> mtg only**)
      - Non-Participating Lenders will only be allowed to use this program as a Stand-Alone (**IHCDA does the 2<sup>nd</sup> mtg only**)



# COMMONS GUIDELINES

- ❑ Can do FHA, VA, Conv, USDA
- ❑ DPA 20% of Purchase Price or \$15,000 whichever is less
- ❑ If a participating lender with FHLB , FHLB is also offering \$10,000 to be used as DPA/closing costs
- ❑ Must be owner occupied
- ❑ Required 8 hours of homebuyer training through any HUD approved agency or any HomeEC certified agency
- ❑ No cash back except what the borrower put into the loan
- ❑ Purchase Price must be a **minimum** of 10% less than appraised value
- ❑ Appraisal done within 60-days
- ❑ 3<sup>rd</sup> party inspection (List of approved inspectors and inspection form on our website)
- ❑ 3 Estimates for repairs or Cost of Repair per Appraiser (if applicable)
- ❑ Final Inspection for Repairs (if available)
- ❑ All repairs must be completed before closing unless lender holds escrow
  - ❑ Escrow Approval from Lenders Underwriter (if applicable)
- ❑ Homes over 50 years old may be subject to historic review. Examples of possible review:
  - ❑ Ground disturbance
  - ❑ Exterior rehabilitation with the exception of painting
  - ❑ Remediation of hazardous materials (ex. Lead, Asbestos)
- ❑ 10 year forgive ability period
  - ❑ Years 1-5: repay total amount
  - ❑ Years 6-10: pro-rated 1/5 each year
- ❑ Title Work must accompany every file to show evidence that the property has been through the foreclosure process



# MSP WITH THE BOND PROGRAM

- Use MSP Income Limits for Bond and MCC
- Acquisition limits apply
- Must be a first-time homebuyer
- US Bank purchases 1<sup>st</sup> mtg
- IHCDCA services the 2<sup>nd</sup> mtg
- Borrower receives IHCDCA interest rate
  - Currently 5.75%
- Lender fee cap of \$450
- Can charge 1% origination fee
- Reservation fee .125% of loan amount



# MSP WITH THE MCC PROGRAM

- Use MSP Income Limits for Bond and MCC
- Acquisition limits apply
- Must be a first-time homebuyer
- Lender retains 1<sup>st</sup> mtg
- IHCD services the 2<sup>nd</sup> mtg
- Any interest rate applies
- No cap on Lender fees
- Reservation fee .50% of loan amount



# MSP AS A STAND-ALONE (IHCDA DOES THE 2<sup>ND</sup> MTG ONLY)

- Lender must agree to program guidelines before using program
  - <https://ihcdaonline.com>
- Lender will receive a Lender ID from IHCDA
  - ONLY APPLIES if lender is not already an IHCDA Participating Lender
- Use 120% AMI MSP Income Limits
- Lender retains the 1<sup>st</sup> mtg
- IHCDA services the 2<sup>nd</sup> mtg
- Do not have to be a first-time homebuyer
- No cap on lender charged fees
- No fee to reserve the loan
- Cannot close loan until you have approval from IHCDA



# DETERMINING HOUSEHOLD INCOME

- ◉ Household income includes certain sources of income that a lender typically does not consider in determining a borrower's DTI
  - > Along with the borrower, this includes all working individuals in the home
- ◉ Some eligible income would include
  - > W2 wages (including part time jobs)
  - > Seasonal
  - > Shift differentials
  - > Overtime and Bonus pay
  - > Child support or Alimony
  - > Interest and/or Dividends
    - Other income may apply.
    - Please contact IHCD A with questions regarding types of income and if they must be counted or how they are counted





## HOUSEHOLD INCOME CONT'D

- ◉ Income is calculated from the borrower's YTD gross and annualized
  - There are times when you have to breakdown the income line by line.
  - If and when you have trouble determining your borrower's income IHADA will do an income opinion. In these cases please fax
    - Current Paystub or VOE
    - Tax Returns
    - INCOME OPINIONS ARE GOOD FOR 30 DAYS



# TAX RETURNS

- ◉ IRS Tax Compliance Laws requires that each loan funded with proceeds from a tax-exempt mortgage revenue bond documented by three years of tax returns.
- ◉ Review of the tax returns tells us if the borrower has had prior home ownership and gives an income history for the past three years
- ◉ Tax returns are also a good source of information on
  - ◉ others that may reside in the home
  - ◉ previous marriage
  - ◉ children not shown on 1003 as dependents



# TAX RETURN GUIDELINES

- Returns for all borrowers must be submitted with application file
- If a borrower does not have all the of past three years returns they can either obtain transcripts from the IRS or complete a MRB/MCC5 if returns where not filed
- Returns must have top section of page one fully completed with borrowers name, address and social security number
- Each return must be signed by borrower
- Transcripts must also be signed
- Electronic Filing Form is not acceptable
- W2's are not required nor do they take the place of returns



## RECAPTURE TAX

- ◉ Recapture Tax is in accordance with Section 143(m) of the Internal Revenue Code for mortgages that are Federally Subsidized.
- ◉ Borrowers must pay Recapture Tax when the following three conditions occur
  - ◉ Home is sold within the first 9 years of the closing date
  - ◉ A net profit on the sale of the home is made
  - ◉ The household income is above the current income limit at the time of sale of the home



## RECAPTURE TAX CONT'D

- ⦿ IHADA will not calculate the Recapture Tax amount, if any, upon sale of home. If borrower needs assistance they would need to consult their tax advisor of the IRS.
- ⦿ A Notice to Borrower(s) of Maximum Recapture Tax and Method to compute Recapture Tax in Disposition of Home is sent to borrower once loan is final approved
- ⦿ At this time IHADA is reimbursing the Recapture Tax to the borrower with a written request including the following
  - IRS form 4506 (or its equivalent) completed and signed by each borrower
  - Copy of the signed HUD1



# SINGLE FAMILY STAFF

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